VICTORY NICKEL INC.

(A Development Stage Entity)

FINANCIAL STATEMENTS
FOR THE PERIOD FROM INCEPTION, FEBRUARY 1, 2007, TO DECEMBER 31, 2007

DATED MARCH 28, 2008

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

All of the information in the annual report and accompanying financial statements of Victory Nickel Inc. is the responsibility of management. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Where necessary, management has made judgments and estimates in preparing the financial statements and such statements have been prepared within acceptable limits of materiality. The financial information contained elsewhere in the annual report has been reviewed to ensure that it is consistent with the financial statements.

Management maintains appropriate systems of internal control to give reasonable assurance that its assets are safeguarded, and the financial records are properly maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee, which is comprised of Directors, none of whom are employees or officers of the Company, meets with management and the external auditors to review the auditors' report and the financial statements to satisfy itself that management is properly discharging its responsibilities to the Directors, who approve the financial statements.

A firm of independent Chartered Accountants, appointed by the shareholders, audits the financial statements in accordance with Canadian generally accepted auditing standards and provides an independent professional opinion thereon.

Rene R. Galipeau	Robert G. Wardell
Chief Executive Officer	Vice-President Finance & Chief Financial Officer
March 28, 2008	March 28, 2008

AUDITORS' REPORT

TO THE SHAREHOLDERS OF VICTORY NICKEL INC.

We have audited the balance sheet of Victory Nickel Inc. as at December 31, 2007 and the statements of operations and comprehensive loss, of shareholders' equity, and of cash flows for the period from inception, February 1, 2007, to December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and the results of its operations and its cash flows for the period from inception, February 1, 2007, to December 31, 2007 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada	(signed) "BDO Dunwoody LLP"
March 28, 2008	Chartered Accountants
	Licensed Public Accountants

VICTORY NICKEL INC.
(A Development Stage Entity)
BALANCE SHEET AS AT DECEMBER 31, 2007
(In thousands of Canadian dollars)

ASSETS	
Current	
Cash and cash equivalents	**$ 7,466**
Cash for exploration expenditures	**5,419**
G.S.T. receivable	**480**
Prepaid expenses	**3**
Total Current Assets	**13,368**
Exploration Advances (Note 4)	**280**
Exploration and Development Projects (Note 5)	**15,762**
	$ 29,410
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current	
Accounts payable and accrued liabilities	**$ 825**
Due to Nuinsco Resources Limited (Note 8)	**158**
Total Current Liabilities	**983**
Future Income Taxes (Note 7)	**1,689**
	2,672
Shareholders' Equity (Note 6)	
Share capital	**27,606**
Stock option compensation	**1,335**
Share purchase warrants	**25**
Deficit	**(2,228)**
Net Shareholders' Equity	**26,738**
	$ 29,410

Nature of Operations (Note 1)
Corporate Reorganization and Formation of the Company (Note 3)

Approved by the Board of Directors

W. Warren Holmes
Director

Cynthia P. Thomas
Director

The accompanying notes are an integral part of these financial statements.

VICTORY NICKEL INC.
(A Development Stage Entity)
STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
For The Period From inception, February 1, 2007, to December 31, 2007
(In thousands of Canadian dollars, except per share amounts)

Revenue		
Interest income	$	**497**
Gain on marketable securities		**62**
		559
Costs and Expenses		
General and administrative (Note 8)		**1,643**
Stock option compensation (Note 6)		**1,369**
		3,012
Loss Before Income Taxes		**(2,453)**
Future Income Taxes (Note 7)		**(225)**
Net Loss and Comprehensive Loss For The Period	$	**(2,228)**
Loss Per Share – Basic and Diluted	$	**(0.01)**
Weighted Average Common Shares Outstanding		**171,542,000**

The accompanying notes are an integral part of these financial statements.

VICTORY NICKEL INC.
(A Development Stage Entity)
STATEMENT OF CASH FLOWS
For The Period From inception, February 1, 2007, to December 31, 2007
(In thousands of Canadian dollars)

Cash From (Used By):		
Operating Activities		
Net loss for the period	**$**	**(2,228)**
Items not affecting cash:		
Stock option compensation		**1,369**
Other stock-based compensation		**109**
Expenses settled through issuance of warrants		**25**
Gain on marketable securities		**(62)**
Future income taxes		**(225)**
Changes in non-cash working capital (Note 9)		**(133)**
Cash used by operating activities		**(1,145)**
Financing Activities - issue of common shares		**11,750**
Net Cash Received on Formation (Note 3)		**11,906**
Investing Activities		
Additions to exploration and development projects		**(9,408)**
Exploration advances		**(280)**
Sale of marketable securities		**1,789**
Purchase of marketable securities		**(1,727)**
Cash used by investing activities		**(9,626)**
Net Increase in Cash and Cash Equivalents For The Period and Cash and Cash Equivalents, End of Period	**$**	**12,885**
Cash and Cash Equivalents, End of Period		
Cash and Cash Equivalents	**$**	**7,466**
Cash for Exploration Expenditures		**5,419**
	$	**12,885**

The accompanying notes are an integral part of these financial statements.

VICTORY NICKEL INC.
(A Development Stage Entity)
STATEMENT OF SHAREHOLDERS' EQUITY
For The Period From inception, February 1, 2007, to December 31, 2007
(In thousands of Canadian dollars)

	Share Capital					
	Number of Shares	**Amount**	**Stock Option Compensation**	**Share Purchase Warrants**	**Deficit**	**Total**
Issued on formation of the Company	154,003,146	$ 15,713	$ -	$ -	$ -	$15,713
Private placement	16,428,571	10,694	-	-	-	10,694
Issued under Share Bonus Plan	232,650	109	-	-	-	109
Warrants exercised	5,502,514	847	-	-	-	847
Options exercised	475,000	209	-	-	-	209
Warrants issued for services rendered	-	-	-	25	-	25
Options granted and vesting	-	-	1,369	-	-	1,369
Transfer of value on exercise of options	-	34	(34)	-	-	-
Net loss for the period	-	-	-	-	(2,228)	(2,228)
Balance – December 31, 2007	**176,641,881**	**$27,606**	**$ 1,335**	**$ 25**	**$(2,228)**	**$26,738**

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

(A Development Stage Entity)
December 31, 2007
(all tabular amounts are in thousands of Canadian dollars)

1. Nature of Operations

The Company is primarily engaged in the acquisition, exploration and development of nickel properties in Canada. The Company conducts its activities on its own or participates with others on a joint venture basis.

At December 31, 2007, the Company had working capital of $12,385,000 available to fund ongoing operations. However as a development stage entity, none of the Company's exploration or development projects have commenced commercial production and accordingly the Company is dependent upon debt or equity financings and the optioning and/or sale of resource or resource related assets for its funding. The recoverability of the carrying value of exploration and development projects, and ultimately the Company's ability to continue as a going concern, is dependent upon the discovery of economically recoverable reserves and resources, the Company's ability to finance development of its projects through debt or equity financings and achieving future profitable production, or alternatively upon the profitable disposal of projects.

Should the Company not be able to discover economically recoverable reserves, obtain the necessary financing or achieve future profitable production or sale of properties, the carrying value of the Company's assets could be subject to material adjustment and, in addition, other adjustments may be necessary to these financial statements should such adverse events impair the Company's ability to continue as a going concern as contemplated under Canadian generally accepted accounting principles.

2. Significant Accounting Policies

Basis of Presentation
These financial statements are prepared by management in accordance with Canadian generally accepted accounting principles.

Use of Estimates
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes those estimates are reasonable. The amounts which require management to make significant estimates and assumptions include determining carrying values of exploration and development projects and future income taxes and the valuation of stock option compensation.

Cash and Cash Equivalents
Cash and cash equivalents consist of balances with banks and investments in money market instruments. The cost of these investments approximates market value and they have maturities within 90 days from the date of purchase.

Cash raised for exploration activities through the issuance of flow-through shares is shown on the balance sheet as "Cash for exploration expenditures." This amount must be spent on eligible Canadian exploration expenditures before December 31, 2008.

Exploration and Development Projects
Exploration and development projects include the direct costs related to the various mineral properties, including cost of acquisition of the properties and deferred exploration and development costs, net of any recoveries. These costs are capitalized and accumulated on a property-by-property basis and will be amortized as operating expenses against future revenue upon commencement of commercial production using a unit-of-production method based upon estimated proven and probable mineral reserves.

On an ongoing basis, the Company evaluates each property based on results to date to determine the nature of exploration and development activities that are warranted in the future or if there is any impairment in the carrying value. An impairment loss is recognized when the carrying amount of a project is not recoverable and exceeds its fair value. Fair value is normally determined using the discounted value of future net cash flows. Where estimates of future net cash flows are not available, management's assessment of the properties' estimated fair value is based on exploration results to date, a review of comparable transactions and a consideration of historic costs.

The carrying values of exploration and development projects represent unamortized net costs incurred to date and do not necessarily reflect present or future values. The recoverability of these amounts is dependent upon the existence of economically recoverable reserves, upon the Company's ability to obtain the necessary financing to complete the development and upon future profitable production and/or sale.

Asset Retirement Obligations

The fair value of liabilities for asset retirement obligations will be recognized in the period in which they are incurred and the fair value can be reasonably estimated. Currently there are no asset retirement obligations recognized. However, as the development of any project progresses, the Company will assess whether an asset retirement obligation liability ("ARO") has arisen. At the point where such a liability arises and can be estimated, the financial statement adjustment required will be to increase the project's carrying value and ARO obligation by the discounted value of the total liability. Thereafter, the Company will be required to record a charge to income each year to accrete the discounted ARO obligation amount to the final expected liability.

Stock-Based Compensation Plans

Stock Option Plan

The Company has a stock option plan which is described in Note 6. All stock-based awards made to employees and non-employees are measured and recognized at the date of grant using a fair value-based method to calculate compensation expense. Compensation expense is charged to income over the vesting period of the options or service period, whichever is shorter.

Share Incentive Plan

The Company has a share incentive plan (the "Share Incentive Plan"), which includes both a share purchase plan (the "Share Purchase Plan") and a share bonus plan (the "Share Bonus Plan"). The Share Incentive Plan is administered by the Directors of the Company. The Share Incentive Plan provides that eligible persons thereunder include Directors, senior officers and employees of the Company and its designated affiliates and consultants who are primarily responsible for the management and profitable growth of the business.

The Share Incentive Plan is described in Note 6. The Company uses the fair value method of accounting for, and to recognize as compensation expense, its stock-based compensation for employees. Shares issued under the Share Incentive Plan are valued based on to the quoted market price on the date of the award. This amount is expensed over the vesting period.

Flow-Through Shares

The Company has financed a portion of its exploration and development activities through the issue of flow-through shares. Under the terms of these share issues, the tax attributes of the related expenditures are renounced to subscribers. When the renunciation is made, the value of the renunciation is recorded as a liability and charged against share capital. Where the Company has a valuation allowance which reduces future income tax assets, the valuation allowance is reduced and an income tax recovery is recorded in the statement of operations.

Revenue Recognition

Revenue is principally composed of interest income and gain on marketable securities. Other income, including interest income, is recognized on an accrual basis; marketable securities are accounted for as described under "New Accounting Policies" below.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax bases (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates enacted is included in operations in the period in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Loss Per Share

The Company uses the treasury stock method in determining the diluted loss per share. The diluted loss per share data assumes the exercise of all outstanding warrants and options except when the assumed exercise is anti-dilutive. Loss per share amounts are calculated using the weighted average number of common shares outstanding during the period.

New Accounting Policies

Upon inception, February 1, 2007, the Company adopted new accounting recommendations from the Canadian Institute of Chartered Accountants (CICA), Handbook Section 1506 – "Accounting Changes," Section 1530 – "Comprehensive Income," Section 3855 – "Financial Instruments - Recognition and Measurement," Section 3861 – "Financial Instruments Presentation and Disclosure," and Section 3865 – "Hedges."

Section 1506 allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information. Implementation of the standard requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of the changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

Section 1530 establishes standards for reporting and presenting a comprehensive income statement.

Section 3855 requires all financial assets and financial liabilities to be classified as one of five categories. Financial assets are to be classified as either held for trading, available for sale, held to maturity or loans and receivables. Financial liabilities are to be classified as either held for trading or other financial liabilities. All financial assets and financial liabilities are to be carried at fair value on the balance sheet, except held to maturity, loans and receivables and other financial liabilities, which are carried at amortized cost.

Subsequent accounting for changes in fair value will depend on initial classification. Realized and unrealized gains and losses on financial assets and liabilities that are held for trading will continue to be recorded in the statement of operations. Unrealized gains and losses on financial assets that are held as available for sale are to be recorded in other comprehensive income until realized, at which time they will be recorded in the statement of operations.

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of foreign currency exposures of net investments in self sustaining foreign operations. Currently the Company is not involved in any hedging activities.

As a result of the adoption of these new standards, the Company has classified its cash and cash equivalents, cash for exploration expenditures and marketable securities as held for trading for accounting purposes, which are measured on the balance sheet at fair value. Accounts payable and accrued liabilities along with amounts due to Nuinsco Resources Limited ("Nuinsco") are measured at amortized cost, and are classified as other financial liabilities.

New Accounting Policies Not Yet In Effect

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, "Capital Disclosures," Handbook Section 3862, "Financial Instruments – Disclosures," and Handbook Section 3863, "Financial Instruments – Presentation." These standards are effective for interim and annual financial statements for the Company's reporting period beginning on January 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and, (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, "Financial Instruments – Disclosure and Presentation," revising and enhancing its disclosure requirements and carrying forward, unchanged, its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

3. Corporate Reorganization and Formation of the Company

Pursuant to a Plan of Arrangement which became effective February 1, 2007, the Company was formed upon the amalgamation of two predecessor companies incorporated in December, 2006 for the purpose of carrying out the Plan of Arrangement. Upon completion of the amalgamation and pursuant to the Plan of Arrangement, the Company completed a series of transactions which resulted in the following acquisitions:

(a) three mineral resource properties, namely the Minago and Mel sulphide nickel projects on the Thompson Nickel Belt in Manitoba and the Lac Rocher sulphide nickel project in Quebec (collectively the “Nickel Properties”), from Nuinsco. These properties were recorded at their carrying values in the accounts of Nuinsco of $5,800,746, net of related accounts payable of $527,871;
(a) exploration advances to the Company’s joint venture partner managing the Mel project of $448,428; and
(a) cash of $12,667,740

in exchange for the issuance of 154,003,146 common shares of the Company.

The terms of the Plan of Arrangement resulted in Nuinsco initially owning 25% of the Company’s common shares and 75% being distributed to Nuinsco’s shareholders. Accordingly Nuinsco’s shareholders continued to own 100% of the transferred assets by virtue of their direct holdings of the Company’s shares and their indirect ownership interest through their Nuinsco share ownership. As a consequence, this related party transaction was recorded by the Company at Nuinsco’s recorded carrying values of the Nickel Properties transferred and the cash received.

The cash transferred from Nuinsco to the Company was the amount of the net proceeds of $14,045,317 received by Nuinsco in a December, 2006 private placement, less the aggregate of $929,149 expended by Nuinsco on the transferred Nickel Properties from the date of the private placement to February 1, 2007, the effective date of the Plan of Arrangement and exploration advances at as February 1, 2007 amounting to $448,428. The latter amount represents cash advanced to CVRD Inco Limited (now Vale Inco Limited), the Company’s joint venture partner on the Mel project, in excess of exploration costs incurred.

In addition, the Company was responsible for all costs relating to the Plan of Arrangement. The total of such costs has been treated as a capital transaction and shown as a reduction in share capital.

A summary of net assets acquired is as follows:

Cash (net of out-of-pocket costs incurred to complete the Plan of Arrangement of $762,062)		$ 11,905,678
Nickel Properties		
Exploration Advances – Mel		448, 428
Exploration and Development Projects		
Minago	$2,976,125	
Mel	706,311	
Lac Rocher	2,118,310	5,800,746
Total Assets		18,154,852
Less Liabilities:		
Accounts Payable		(527,871)
Future Income Taxes [1]		(1,914,000)
Net Assets Acquired		$ 15,712,981

[1] The future income taxes result from the fact that, pursuant to the tax elections filed as part of the Plan of Arrangement, the cost bases for tax purposes of the nickel assets is nil, versus a net carrying value on acquisition of $5,800,746.

4. Exploration Advances

The Company’s Mel sulphide nickel project is managed by Vale Inco Limited. Cash advanced to Vale Inco Limited in excess of exploration costs incurred totaled $280,075 as at December 31, 2007.

5. Exploration and Development Projects

Cumulative costs relative to the acquisition of mineral properties, and deferred exploration and development expenditures, have been incurred on the following projects:

	Acquired on Formation of the Company (Note 3)	Current Expenditures	Balance December 31, 2007
Lac Rocher	$ 2,118	$ 1,196	$ 3,314
Mel [1]	706	1,452	2,158
Minago	2,976	7,314	10,290
	$ 5,800	$ 9,962	$ 15,762

[1]The expenditures on the Mel project in the current period include $448,428 funded from exploration advances on deposit with Vale Inco Limited and transferred to the Company on formation, February 1, 2007 (see Note 3)

Lac Rocher

The Lac Rocher project, which is 100% owned, is located in northwestern Quebec, 140 kilometres northeast of Matagami. The project is subject to a royalty of $0.50 per ton on any ores mined and milled from the property; any revenues from this project are also subject to a 2% NSR.

In 2007, the Company began environmental work in support of permitting the Lac Rocher deposit in order to carry out its plan to extract and direct ship mineralized material to an offsite mill for processing. A 12-hole, 1,500 metre drill program was completed to test for extensions to the nickel sulphide mineralization and to provide metallurgical samples for the Preliminary Economic Evaluation (PEA) of the near-term production and cash generation potential of the project.

Metallurgical testing of the massive sulphide mineralization from the deposit was completed in December, 2007. In February, 2008, the Company announced the results from metallurgical testing of the disseminated sulphide zone. These test results will be incorporated into the PEA, completion of which is expected in the second quarter of 2008. The Company is targeting production to begin at Lac Rocher prior to the end of 2008.

Mel

Effective August 27, 1999, Nuinsco Resources entered into an agreement (the “Agreement”) with Inco Limited (predecessor to CVRD Inco Limited, now Vale Inco Limited (“Vale Inco”)) for the exploration and development of Vale Inco’s Mel properties (the “Mel Properties”) located in the Thompson area of northern Manitoba. Pursuant to the Agreement, sufficient expenditures have been incurred to earn a 100% interest in the Mel Properties, and in 2007 the Company exercised its option to acquire such interest. Vale Inco has the right to earn back a 51% interest by incurring expenditures of $6,000,000 over a four-year period. Vale Inco has not yet notified the Company if it intends to exercise this back-in right.

Under the Agreement, Vale Inco has a contractual obligation to mill ore mined from the Mel deposit at its cash cost plus 5% (provided that the product meets Vale Inco specifications and that Vale Inco has sufficient mill capacity). The Company has the option to manage the development and operation of any mines developed on the Mel Properties.

Minago

At December 31, 2007, the 100%-owned Minago project (which is subject to a graduated NSR, up to 3% if nickel prices exceed US$6.00 per pound), covered 14,496 hectares on Manitoba’s Thompson Nickel Belt incorporating the Nose Deposit, which is the area containing the entire current resource, and the North Limb, a zone of mineralization with a known strike length of 1.5 kilometres located to the north of the Nose Deposit.

During 2006 substantial work, including drilling and metallurgical testing, was completed and incorporated into the PEA of the Minago Project completed in November, 2006. Due to the positive outcome of the PEA and continued strong pricing for nickel and other by-products, the Company engaged an engineering firm to proceed with a definitive feasibility study. This study began in early 2007, and is expected to be completed before the end of 2008.

6. Shareholders' Equity

Share Capital

Authorized:
The Company is authorized to issue an unlimited number of common shares.

Issued and Outstanding:

	Number of Shares	Amount
Issued on formation of Company pursuant to Plan of Arrangement (Note 3)	154,003,146	$ 15,713
Issued in private placement (a)	16,428,571	10,694
Issued under the Share Bonus Plan (b)	232,650	109
Warrants exercised (c)	5,502,514	847
Options exercised (d)	475,000	243
Balance – December 31, 2007	176,641,881	$ 27,606

(a) In March, 2007, the Company issued 16,428,571 flow-through shares at $0.70 per share for gross proceeds of $11,500,000, before costs of issue of $805,463.
(b) During the period, 232,650 common shares were issued to employees and consultants as discretionary bonuses and were valued at $108,763 (see commitment to issue shares below).
(c) During the period, 5,502,514 common shares were issued upon the exercise of warrants for proceeds of $846,900 (see commitment to issue shares below).
(d) During the period, 475,000 common shares were issued upon the exercise of options for proceeds of $209,329 plus the carrying value of the options exercised of $33,400.

Stock Options

The Company has a stock option plan (the "Plan) to encourage ownership of its shares by Directors, officers, employees and others, and to provide compensation for certain services. The terms of the Plan provide that the Directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant at terms of up to 10 years. No compensation is recognized when options are exercised. The number of shares reserved for issuance is not to exceed 15% of the aggregate number of common shares issued and outstanding (calculated on a non-diluted basis) from time to time. At December 31, 2007, the Company had 13,111,282 common shares available for granting of future options.

A summary of options outstanding is as follows:

	Number of Options	Weighted Average Exercise Price
Options issuable on the exchange of options of Nuinsco pursuant to the Plan of Arrangement	9,187,500	$ 0.19
Options granted during period	4,922,500	0.61
Options exercised	(475,000)	0.44
Options forfeited and expired during period	(250,000)	0.64
Outstanding, December 31, 2007	13,385,000	$ 0.32

In total, 4,922,500 options were granted during the period at a weighted average exercise price of $0.61 per share. The weighted average grant date fair value of options granted during the period was $0.32. The granting and vesting of 4,922,500 options resulted in compensation expense totaling $1,368,924. The value assigned to options was calculated using the Black-Scholes option-pricing model, with the following assumptions:

Dividend yield	-
Expected volatility	75%
Risk free interest rate	4.5%
Expected option term – years	3
Fair value per share of options granted	0.26-0.43

Of the 13,385,000 options outstanding at December 31, 2007, 1,067,500 are subject to vesting in the next fiscal year. The aggregate fair value of these unvested options not yet charged to operations is $127,689. The weighted average exercise price of fully-vested options at December 31, 2007 was $0.29.

The following table summarizes information about the stock options outstanding at December 31, 2007:

Range of Exercise Prices	**Options Outstanding**	**Years to Expiry[1]**	**Exercise Price[1]**
$0.09-$0.19	6,131,250	3.52	$0.13
$0.21-$0.27	2,343,750	5.02	$0.23
$0.29-$0.46	375,000	3.24	$0.44
$0.50-$0.82	4,535,000	4.40	$0.62
$0.09-$0.82	13,385,000	4.07	$0.32

[1]In this table, “Years to Expiry” and “Exercise Price” have been calculated on a weighted average basis.

Pursuant to the Plan of Arrangement, holders of 12,250,000 options of Nuinsco converted their options into 12,250,000 new Nuinsco options and 9,187,500 options of the Company with an average exercise price of $0.19 per share.

The issuance of the 9,187,500 options under the Plan of Arrangement has been treated as a modification of the respective original Nuinsco awards and the new option grants were made in accordance with the provisions of the Plan of Arrangement. The exercise prices were determined based on the intrinsic values immediately before the effective date of the Plan of Arrangement and the relative fair value of the net assets transferred to the Company and the fair value of all property, net of liabilities, of Nuinsco prior to the spinoff. The strike prices were calculated so that the total intrinsic value immediately prior to and after the effective date remained unchanged. The vesting periods and the contractual terms were determined based on the vesting periods and contractual terms of each award being modified and in no case did the contractual term exceed 10 years from the grant date. Since these awards were a modification of existing Nuinsco awards under the anti-dilution provisions of its stock option plan, the Company has not recognized an expense pursuant to the issuance of these options.

Commitment to Issue Shares

Pursuant to the Plan of Arrangement, the Company was committed to issue common shares of the Company to holders of Nuinsco warrants as of February 1, 2007, the effective date of the Plan of Arrangement, upon the exercise of such warrants.

Each outstanding Nuinsco warrant entitled the holder to receive upon exercise, the number of new Nuinsco common shares and the number of common shares of the Company that such holder would have received under the Plan of Arrangement if such warrant had been exercised immediately before the Plan of Arrangement became effective. The aggregate exercise price of the Nuinsco warrant was unchanged, with the Company receiving 41.25% of the proceeds.

During the period, 5,502,514 common shares were issued pursuant to this arrangement for proceeds of $846,900. Also pursuant to the Plan of Arrangement, the Company was committed to issue 232,650 common shares to employees and consultants as discretionary bonuses pursuant to Nuinsco’s Share Bonus Plan with respect to bonus share entitlements granted in December, 2006 and which vested in 2007. During the period, 232,650 common shares were issued pursuant to this arrangement with a value of $108,763.

These are no remaining commitments to issue shares pursuant to the Plan of Arrangement.

Warrants
During the period, 150,000 warrants were issued to a third party for services rendered. The warrants have an exercise price of $0.48 per share, and expire in June, 2009. The warrants were valued at $25,352 using a fair value based method. No other warrants are outstanding as at December 31, 2007.

Share Incentive Plan:
The Company has a share incentive plan ("Share Incentive Plan") which includes both a share purchase plan (the "Share Purchase Plan") and a share bonus plan (the "Share Bonus Plan").

The purpose of the Share Incentive Plan is to encourage ownership of the common shares by Directors, senior officers and employees of the Company and its designated affiliates and consultants who are primarily responsible for the management and profitable growth of its business, to advance the interests of the Company by providing additional incentive for superior performance by such persons and to enable the Company and its designated affiliates to attract and retain valued Directors, officers, employees and consultants.

Under the Share Purchase Plan, eligible Directors, senior officers and employees of the Company and its designated affiliates and consultants can contribute up to 10% of their annual basic salary before deductions to purchase common shares. The Company matches each participant's contribution. The purchase price per common share is the volume weighted-average of the trading prices of the common shares on the Toronto Stock Exchange for the calendar quarter in respect of which the common shares are issued. Common shares acquired are held in safekeeping and delivered to employees as soon as practicable following March 31, June 30, September 30 and December 31 in each calendar year. No common shares have yet been issued pursuant to the Share Purchase Plan. The maximum number of common shares issuable under the Share Purchase Plan is the lesser of: (i) that number of common shares that can be purchased with a dollar amount equal to 20% of the gross annual salary of the Participants (as defined in the Share Incentive Plan); and (ii) 1% of the aggregate number of issued and outstanding common shares (calculated on a non-diluted basis) from time to time.

The Share Bonus Plan permits common shares to be issued as a discretionary bonus to eligible Directors, senior officers and employees of the Company and its designated affiliates, and consultants from time to time. For the period ended December 31, 2007, 232,650 shares were issued under the Share Bonus Plan. The maximum number common shares issuable under the Share Bonus Plan is the lesser of: (i) 2,000,000 common shares; and (ii) 2% of the aggregated number of issued and outstanding common shares; and (ii) 2% of the aggregated number of issued outstanding common shares (calculated on a non-diluted basis) from time to time.

Entitlements to 196,125 common shares were granted under the Share Bonus Plan effective December 31, 2007. The entitlement to the shares vests over the following nine months as to one-third in each fiscal quarter. The individuals awarded the right to receive shares have no rights of ownership associated with the shares until the shares have vested and are actually issued. The fair value of the 196,125 common shares granted under the Share Bonus Plan was determined based on the quoted market price of the shares on the date of grant ($0.50 per share) for an aggregated fair value of $98,063 which will be charged to income over the vesting period.

7. Income Taxes

The income tax recovery differs from the amount computed by applying statutory federal and provincial income tax rates for the period from inception to December 31, 2007 (36.12%), to the loss before income taxes. The differences are summarized as follows:

Current income taxes	
Statutory rate applied to loss before income taxes	$ (883)
Non-deductible items, net	539
Share issue costs	(60)
Benefit of current period loss not recognized	404
Current income tax recovery	-
Future income taxes	
Share issue and Plan of Arrangement costs	(358)
Benefit of future tax losses at expected future rates	(325)
Valuation allowance	683
Changes in enacted tax rate	(225)
Future income tax recovery	$ (225)

The future income tax recovery in the current period represents the impact of tax rate reductions enacted in December, 2007 on the future income tax liability recognized on formation (see Note 3).

Significant components of the Company's future income tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

Future income tax assets	
Share issue costs and eligible capital property	$ 358
Net tax losses carried forward	325
Valuation allowance	(683)
Total future income tax assets	-
Future tax liabilities	
Exploration and development properties	1,689
Net future income tax liability	$ 1,689

Non-capital losses of $1,122,328 expire in 2028. No income tax recoveries have been recorded with respect to the non-capital losses or other tax assets as it cannot be determined at this time whether it is more likely than not that the benefit associated with these losses and costs will be realized prior to their expiry.

8. Related Party Transactions

Related party transactions not described elsewhere in these financial statements include the following:

a. The Company shares management, administrative assistance and facilities with Nuinsco (which, by virtue of its approximate 22% ownership interest has the ability to exercise significant influence over the Company) pursuant to a management agreement. The costs payable by the Company are equal to the cost to Nuinsco of such services plus 10 per cent. The management agreement has an initial term of 24 months commencing February 1, 2007 and is terminable thereafter by Nuinsco upon 90 days notice and by the Company upon 180 days notice. Costs charged to the Company in the period ended December 31, 2007 totalled $808,759 and have been included in general and administrative expenses. In addition, project-related costs aggregating $463,491 have been charged to the Company by Nuinsco during the period and are included in exploration and development costs on the balance sheet.

b. Amounts due to Nuinsco are unsecured, non-interest bearing and due on demand.

c. Included in accounts payable and accrued liabilities at December 31, 2007 are amounts due to officers and Directors of the Company in the amount of $64,267. These amounts relate primarily to Directors' fees payable.

d. The Company's Lac Rocher property is subject to a discovery incentive plan (the "DIP") to reward certain Directors and former officers of the Company with a 2% NSR for mines that were discovered on certain properties prior to the expiry of the DIP. The NSR is payable only on revenues earned after recovery of all development costs for any mine on the property. The terms of the DIP provide the Company with a right of first refusal on any proposed disposition of the NSR. In addition, the DIP contains put/call provisions under which the Company may be required to purchase, or may exercise an option to purchase, the NSR at the value of its discounted cash flows, as defined therein. The Lac Rocher property is the only property subject to the DIP. As the Lac Rocher property is not yet in production, no royalties are currently payable.

9. Changes in Non-Cash Working Capital

Changes in non-cash working capital balances related to operations impacting cash from operations, for the period from inception, February 1, 2007, to December 31, 2007, are as follows:

Accounts receivable and prepaid expenses	$ (483)
Accounts payable and accrued liabilities	192
Due to Nuinsco Resources Limited	158
	$ (133)

10. Financial Instruments

The Company's financial instruments include cash and cash equivalents (including cash for exploration), accounts receivable, accounts payable and accrued liabilities and amounts due to Nuinsco. The fair value of these financial instruments approximates their carrying value. The Company is not exposed to significant currency or credit risks arising from these financial instruments. The Company's cash and cash equivalents earn interest at fixed short-term rates of approximately 4.4% at December 31, 2007. None of the Company's other financial investments are interest-bearing, and therefore the Company is not exposed to any significant interest rate risk.

11. Subsequent Events

a) In January, 2008, the Company signed an option agreement with Xstrata Nickel, ("Xstrata"), a business unit of Xstrata Canada Corporation, to acquire a 100% interest in five mineral claims totaling 691 hectares located adjacent to the Company's existing Minago property package ("the Properties").

Under terms of the agreement, the Company will acquire a 100% interest in the Properties through:

- A one-time cash payment of $150,000 upon signing; and,
- Incurring $500,000 of expenditures before September 30, 2008.

Once acquired, Victory Nickel's 100% interest in the Properties will be subject to an NSR interest retained by Xstrata, as follows:

- In respect of nickel:
  - A 2% NSR when the LME three-month nickel price is equal to or greater than US$13,227 per tonne in that quarter; and,
  - A 1% NSR when the LME three-month nickel price is less than US$13,227 per tonne in that quarter.
- In respect of other metals, minerals and concentrates:
  - A 2% NSR.

In the event that the NSR is a 2% royalty, the Company may buy back up to 50% of the NSR royalty interest for a maximum of $1,000,000. In addition, Xstrata has the right (the "Back-in Right") to earn a 50% interest in the Properties if any resource is discovered that exceeds 500,000,000 pounds of contained nickel in measured and indicated resources. To exercise the Back-in Right, Xstrata must commit to pay direct expenditures or an amount in cash to the Company equal to twice the aggregate of all direct exploration, development and mining expenditures incurred by the Company on the Properties prior to the delivery by Xstrata of the Back-in Right notice.

b) In March, 2008, the Company privately purchased from a third party 7,500,000 units of Wallbridge Mining Company Limited ("Wallbridge"), a public company, for $1,913,000. Each unit comprises one common share and one-half of one share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share of Wallbridge at an exercise price of $0.80 per share if the warrant is exercised prior to March 26, 2009, or $1.00 per share if exercised during the period between March 26, 2009 and March 26, 2010. As a consequence of this transaction, the Company holds an approximate 8.4% interest in Wallbridge and, if all of the warrants are exercised, the Company's ownership interest would increase to 12.2% on a partially diluted basis (not including the exercise of any other securities convertible into Wallbridge shares held by any other holder).

VICTORY NICKEL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD FROM INCEPTION, FEBRUARY 1, 2007, TO DECEMBER 31, 2007

DATED MARCH 28, 2008

VICTORY NICKEL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Period ended December 31, 2007

The following discussion of the results of operations, financial condition and cash flows of Victory Nickel Inc. ("Victory Nickel" or the "Company") prepared as of March 28, 2008 consolidates management's review of the factors that affected the Company's financial and operating performance for the period from inception, February 1, 2007, to December 31, 2007, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and compliment the Company's 2007 audited financial statements and the notes thereto. Readers are encouraged to consult the financial statements which were prepared in accordance with Canadian generally accepted accounting principles and are available at www.sedar.com and at the Company's website www.victorynickel.ca. All amounts disclosed are in Canadian dollars unless otherwise stated.

COMPANY OVERVIEW

Victory Nickel is a Canadian exploration and development-stage mineral resource company engaged in the acquisition, exploration and development of nickel projects in Canada.

Formed on February 1, 2007 as described below, Victory Nickel owns 100% of three advanced sulphide nickel projects, the Mel and Minago projects located on Manitoba's Thompson Nickel Belt and the Lac Rocher project in Quebec. The Company is advancing a definitive feasibility study, expected to be completed in 2008, on the Minago Project; the Lac Rocher Project is currently being assessed for potential production in 2008; and, the near-term production potential of the Mel Project is also being evaluated.

CORPORATE REORGANIZATION AND FORMATION OF THE COMPANY

Pursuant to a Plan of Arrangement which became effective February 1, 2007, the Company was formed upon the amalgamation of two predecessor companies incorporated in December, 2006 for the purpose of carrying out the Plan of Arrangement. Upon completion of the amalgamation and pursuant to the Plan of Arrangement, the Company completed a series of transactions which resulted in the following:

The acquisition of:

a) three mineral resource properties, namely the Minago and Mel sulphide nickel projects on the Thompson Nickel Belt in Manitoba and the Lac Rocher sulphide nickel project in Quebec (collectively the "Nickel Properties") from Nuinsco Resources Limited ("Nuinsco"). These properties were recorded at their carrying value in the accounts of Nuinsco of $5,800,746, net of related accounts payable of $527,871;
b) exploration advances to the Company's joint venture partner managing the Mel project of $448,428; and
c) cash of $12,667,740,

in exchange for the issuance of 154,003,146 common shares of the Company.

The terms of the Plan of Arrangement resulted in Nuinsco initially owning 25% of the Company's common shares and 75% being distributed to Nuinsco's shareholders. Accordingly, Nuinsco's shareholders continued to own 100% of the transferred assets by virtue of their direct holdings of the Company's shares and their indirect ownership interest through their Nuinsco share ownership. As a consequence, this related party transaction was recorded by the Company at the carrying value of the Nickel Properties transferred and the cash received.

The cash transferred from Nuinsco to the Company was the amount of the net proceeds of $14,045,317 received by Nuinsco in a December 2006 private placement less the aggregate of $929,149 expended by Nuinsco on the transferred Nickel Properties from the date of the private placement to February 1, 2007, the effective date of the Plan of Arrangement, and exploration advances as at February 1, 2007 amounting to $448,428. The latter amount represents cash advanced to CVRD Inco Limited (now Vale Inco Limited ("Vale Inco")), the Company's joint venture partner on the Mel project, in excess of exploration costs incurred.

In addition, the Company was responsible for all costs relating to the Plan of Arrangement. The total of such costs in the amount of $762,062 has been treated as a capital transaction and shown as a reduction in share capital.

A summary of the net assets acquired is as follows:

Cash (net of out-of -pocket costs incurred to complete the Plan of Arrangement of $762,062)		$ 11,905,678
Nickel Properties:		
Exploration Advances - Mel		448,428
Exploration and Development Projects		
Minago	$ 2,976,125	
Mel	706,311	
Lac Rocher	2,118,310	5,800,746
Total Assets		18,154,852
Less: Liabilities:		
Accounts Payable		(527,871)
Future Income Taxes		(1,914,000)
Net Assets Acquired		$ 15,712,981

(1) The future income taxes result from the fact that, pursuant to tax elections filed as part of the Plan of Arrangement, the cost bases for tax purposes of the nickel assets is nil versus a net carrying value on acquisition of $5,800,746.

HIGHLIGHTS

Corporate

- 99.77% of Nuinsco shareholders voted in favour of the Plan of Arrangement to create Victory Nickel.
- Victory Nickel began trading on the Toronto Stock Exchange under the ticker symbol Ni on February 6, 2007.
- Completed a bought deal private placement for gross proceeds of $11,500,000.
- Continued to evaluate the acquisition of production and near-production nickel assets to enhance the Company's production profile.
- In December, 2007, engaged Auramet Trading LLC ("Auramet") to provide financial advisory services in connection with debt financing for development of its Lac Rocher nickel project.

Minago

- Engaged Wardrop Engineering Inc. ("Wardrop") to complete the Minago definitive feasibility study.
- Expanded the Minago land package by 7,062 hectares to 14,496 hectares.
- Completed a 13,000 metre diamond drill program as part of the Minago definitive feasibility study.
- Announced positive results from diamond drilling, including intercepts of 1.4% nickel over 36.0 metres, 64.65 metres grading 0.94% nickel and 35.44 metres grading 1.14% nickel.
- Completed the Minago metallurgical drilling ahead of schedule, and delivered eight tonnes of mineralized material to SGS Mineral Services ("Lakefield") to complete feasibility study metallurgical studies.
- Announced a 73% increase in by-product revenue from the sale of sand that forms part of the overburden in the proposed Minago open pit. The expected quantity of marketable sand increased from 4.0 million tonnes in the November 2006 scoping study to 6.9 million tonnes.
- Held numerous public meetings and signed a Memorandum of Understanding with the Misipawistik Cree Nation (Grand Rapids), Mosakahiken Cree Nation (Moose Lake) and Cross Lake Band of Indians that addresses traditional rights of these First Nations communities, and establishes the guiding principles for the development of an Impact and Benefit Agreement.

Mel

- Announced a 79% increase in the amount of contained nickel and a 14% rise in grade in the measured and indicated resource at the Mel project, raising Victory Nickel's total in-situ measured and indicated nickel inventory to over 660,000,000 pounds of nickel.
- Undertook a $2,000,000 drill program at Mel in conjunction with joint venture partner Vale Inco to test the numerous geophysical targets identified on the property.
- Intersected significant grades over mineable widths, including 1.11% nickel over 13.67 metres, in an aggressive winter drilling program designed to evaluate near-term production potential at Mel.
- Completed its earn-in of a 100% interest in the Mel property, subject to Vale Inco's 51% back-in right.

Lac Rocher

- Began an environmental baseline study and announced the development plan for the Lac Rocher sulphide nickel project in northern Quebec.
- Completed a 12-hole, 1,500 metre drill program at Lac Rocher to test for extensions to the nickel sulphide mineralization and to provide metallurgical samples for a Preliminary Economic Evaluation of the near-term production and cash generation potential of the project.
- Received drill results grading up to 9.5% nickel over 2.29 metres within a larger intercept of 45.92 metres grading 1.42% nickel at Lac Rocher.
- Entered into a Memorandum of Understanding with the Waswanipi Cree First Nation ("WCFN") whereby the parties have agreed to work together to support and expedite an underground exploration and bulk sampling program at Lac Rocher in a way that respects the collective interests of Victory Nickel, the WCFN and other stakeholders.
- Received excellent results from metallurgical testing of Lac Rocher massive sulphide composites, with locked cycle tests yielding nickel recovery of 85.04% and copper recovery of 96.67% to a nickel/copper concentrate with an overall nickel equivalent grade of 12.66%.

OUTLOOK

2007 marked the first year of Victory Nickel's existence and was a very busy period with respect to moving the Minago, Lac Rocher and Mel sulphide nickel projects toward production. 2008 should be equally eventful, as the Company expects to make the transition from developer to nickel producer with the start-up of production at the 100%-owned Lac Rocher deposit in northern Quebec, continued progress toward completion of the Minago definitive feasibility study, and a formal evaluation of the economics of developing Mel.

The market for nickel is expected to remain robust for the foreseeable future. With over 660 million pounds of in-situ nickel in National Instrument 43-101-compliant measured (154 million pounds) and indicated (511 million pounds) resources at the three projects, plus an additional 530 million pounds of in-situ nickel in inferred resources, Victory Nickel has one of Canada's largest undeveloped sulphide nickel inventories. With near-term production potential from all three projects, Victory Nickel is moving quickly to take advantage of the worldwide shortage of sulphide nickel assets and to capitalize on strong nickel pricing.

The Company is aggressively advancing all three projects, and evaluating additional opportunities to expand nickel resources and production potential. Current programs on the three projects include:

Minago

Completion of the definitive feasibility study by Wardrop remains a focus for the Company. Wardrop is moving ahead rapidly with all aspects of this study.

Early in 2008, the Company embarked on a 10,000 metre diamond drilling program designed to expand the overall nickel resource, as well as an Early Works program as part of work required to meet the start-up of nickel production targeted for the fourth quarter of 2010.

The Minago scoping study identified the need for further drilling at depth in the Nose Deposit, the area containing the entire current resource, to better define potential lenses of higher grade mineralization.

Drilling conducted in 2006 confirmed the strength and continuity of nickel mineralization as well as higher grades including 80.95 metres of 1.12% nickel and 197.6 metres averaging 0.82% nickel in hole DDH NM-06-06 which ended in 3.93 metres of 1.91% nickel at 829.85 metres.

The 2008 drill program follows up on this potential. The first hole in this program confirmed the presence of higher-grade nickel mineralization at depth, assaying 1.51% nickel over 38.42 metres as part of a 193.01 metre interval grading 0.59% nickel.

Drilling is also targeting the North Limb, a zone of mineralization with a known strike length of 1.5 kilometres located to the north of the Nose Deposit. In 2005, Nuinsco drilled a single 455.4 metre deep hole in the North Limb, intersecting 9.71 metres grading 1.03% nickel and 52.5 metres grading 0.64% nickel within a 337.9 metre intercept grading 0.33% nickel in rock similar to that hosting the Minago resource. In the current program, additional holes are planned to further characterize the mineralization and nickel grades along this potentially vast and underexplored area.

The Early Works program represents the first step in the design of the tailings facility, waste dumps and overall site layout in preparation for permitting and development of the Minago mine. The Early Works program consists of geotechnical drilling, hydrogeological drilling, and design of a permanent access road. Design of an early site access road to support Early Works development is already complete.

All drilling is expected to be complete by early in the second quarter, and the Company remains on track to complete the definitive feasibility study before the end of 2008.

Lac Rocher

Lac Rocher, located in northern Quebec, is advancing to become Victory Nickel's first production asset in 2008. Roche Consulting Engineering is completing a preliminary economic assessment of two phases of an underground exploration and bulk sampling program to evaluate ore continuity and provide further metallurgical evaluation.

Phase I encompasses extracting approximately 50,000 tonnes of material, with Phase II extracting approximately 400,000 additional tonnes. All of the mined material will be shipped off site, and the Company is evaluating a number of options, both in the province of Quebec and elsewhere, for the processing of this material.

Positive results have been received from metallurgical tests, and the Company fully expects that Lac Rocher will be its first cash generating asset.

Mel

The Mel deposit has a National Instrument 43-101-compliant indicated resource of 4.3 million tonnes grading 0.88% nickel (approximately 83 million pounds in-situ nickel) and an additional inferred resource of 1.0 million tonnes grading 0.839% nickel (approximately 19 million pounds in-situ nickel). This near-surface resource, along with a stipulation in the option agreement that joint venture partner Vale Inco shall mill ore mined from the Mel deposit at cost plus 5% (provided that the product meets Vale Inco specifications and that Vale Inco has sufficient mill capacity), makes near-term nickel production from the Mel deposit a possibility that the Company is currently evaluating.

Victory Nickel is in discussions with Vale Inco regarding its right to back in for 51% of the project. The Company expects Vale Inco's decision, which will dictate the future direction of the project, will be made by mid year 2008.

Based on the Company's recent share price, and given the strength of the Minago, Mel and Lac Rocher projects, management recognizes that Victory Nickel's assets remain significantly undervalued by the market, and is committed to realizing full value on behalf of all shareholders. These assets form a solid base on which to build a substantial Canadian nickel company.

RESULTS OF OPERATIONS

From inception, February 1, 2007, to December 31, 2007, the Company had net loss of $2,228,000, or $0.01 per share.

The loss resulted from general and administrative expenses of $1,643,000 (including $809,000 in costs charged by Nuinsco as described under related party transactions below) and stock option compensation of $1,369,000 relating to stock options granted in the current period to officers, directors and employees, some of which are vesting in future periods, less interest and other income of $559,000. The value assigned to the stock options was calculated using the Black-Scholes option-pricing model as explained in Note 6 to the Company's 2007 audited financial statements. Costs allocated from Nuinsco pursuant to the management agreement between the Company and Nuinsco are activity related.

SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last four quarters ended December 31, 2007 is as follows:

Fiscal year 2007	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter(1)
Revenue and other income	$ 158,000	$ 147,000	$ 219,000	$ 35,000
Net loss and comprehensive loss	$ (335,000)	$ (387,000)	$ (449,000)	$ (1,057,000)(2)
Loss per share – basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)

(1)For the period from inception, February 1, 2007, to March 31, 2007.

(2) Includes stock option compensation of $863,000.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2007, the Company had working capital, including cash and cash equivalents and cash for exploration expenditures, totaling $12,385,000. Cash equivalents include bank-guaranteed investment certificates and bank discount notes. The Company does not own asset-backed commercial paper. The Company has a corporate policy of investing its available cash in Canadian government instruments and certificates of deposit or other direct obligations of major Canadian banks, unless otherwise specifically approved by the Board.

During the eleven-month period ended December 31, 2007, the Company used $1,145,000 in operating activities, comprising cash used in operations before changes in non-cash working capital of $1,012,000 plus a net increase in non-cash working capital balances of $133,000 (net of a $158,000 increase in amounts due to Nuinsco).

Financing activities for the period generated an aggregate of $11,750,000. In March, 2007, the Company completed a private placement of common shares which resulted in the issuance of 16,428,571 flow-through common shares at $0.70 per share for net proceeds after costs of issue of $10,694,000. It also received $1,056,000 on the exercise of warrants and stock options during the period from inception to December 31, 2007. Investing activities included $9,408,000 expended on exploration and development projects, net of exploration advances transferred to the Company on inception of $448,000 which were used to fund exploration expenditures during the period. Combined with the cash transferred to the Company on formation of $11,906,000, which amount was net of Plan of Arrangement costs of $762,000, these activities generated cash and cash equivalents of $12,885,000 for the period from the date of inception to December 31, 2007.

Given its current cash position, the Company is sufficiently financed to fund its anticipated future administration costs to completion of the Minago definitive feasibility study. Assuming a positive outcome of the Minago definitive feasibility study and/or the Lac Rocher preliminary economic assessment, additional financing will be required for construction of either or both of these projects. In December, 2007, the Company engaged Auramet to provide financial advisory services in connection with debt financing for development of Lac Rocher; the Company will make a decision regarding the amount and manner of financing required for Minago construction upon receipt of a positive definitive feasibility study.

EXPLORATION AND DEVELOPMENT ACTIVITIES

For the period from inception to December 31, 2007, the Company incurred exploration costs on its nickel properties of $9,962,000, including $7,314,000 on the Minago project, $1,452,000 on the Mel project and $1,196,000 at the Lac Rocher project.

Minago Project

The Company's l00%-owned Minago project (which is subject to a graduated net smelter royalty, up to 3% if nickel prices exceed US$6 per pound) is located on the Thompson Nickel Belt in Manitoba, and is one of Canada's largest undeveloped nickel deposits with measured and indicated resources of 49.1 million tonnes grading 0.516% nickel, or 558 million pounds of in-situ nickel (0.25% nickel cut-off grade), comprised of a 10.3 million tonne measured resource grading 0.593% nickel and a 38.8 million tonne indicated resource grading 0.496% nickel. A further 44.1 million tonne inferred resource at 0.528% nickel contains an additional 513 million pounds of in-situ nickel.

Following the completion of a scoping study in the fall of 2006, Wardrop was engaged to conduct a definitive feasibility study. The definitive feasibility study is ongoing, and is expected to be completed in 2008. In 2007, a 13,000 metre, 44-hole winter drilling program was completed to provide data for inclusion in the definitive feasibility study. During 2007, the Company announced drill results, including intercepts grading up to 1.4% nickel over 36.0 metres. In addition, a geotechnical hole which did not target mineralization, intersected 6.1 metres grading 1.03% nickel demonstrating the widespread nature of nickel mineralization at Minago.

Mel Project

The Mel project is located on the Thompson Nickel Belt, just north of Thompson, Manitoba. It is a large property, approximately 25 kilometres east-west by about 6 kilometres north-south.

The Company has fully funded sufficient expenditures to earn a 100% ownership interest in this project subject to a Vale Inco back-in. This project has 4,300,000 tonnes grading 0.88% nickel (approximately 83,000,000 pounds in-situ nickel) and an additional inferred resource of 1,000,000 tonnes grading 0.84% nickel (approximately 19,000,000 pounds in-situ nickel), and offers significant exploration upside as well as near-term production potential.

The 2007 winter drill program comprised 30 drill holes encompassing 5,733 metres of drilling to better define and add to the existing resource. This program intersected significant grades over mineable widths, including 1.11% nickel over 13.67 metres. The Company is currently in discussions regarding Vale Inco's intentions with respect to its 51% back-in right. A decision by Vale Inco is expected by the end of the second quarter of 2008 and at that point the Company will determine the appropriate next steps in its development strategy.

Lac Rocher

The Lac Rocher project has measured and indicated resources of 1,190,288 tonnes grading 0.91% nickel, at a 0.5% nickel cutoff, for approximately 25,000,000 pounds of in-situ nickel located between surface and 125 vertical metres. Mineralization is open to the southwest, and Victory Nickel is currently evaluating near-term production potential from the property.

During 2007, the Company was very active with respect to advancing the Lac Rocher property. A 12-hole, 1,500 metre diamond drill program tested for extensions to the nickel sulphide mineralization and provide metallurgical samples for completing a preliminary economic evaluation of the near-term production and cash generation potential of the project that is being completed by Roche Engineering. Drill results graded up to 9.5% nickel over 2.29 metres within a larger intercept of 45.92 metres grading 1.42% nickel, and continued to expand the Company's geological and metallurgical understanding of the massive sulphide zone at Lac Rocher.

In addition, Victory Nickel entered into a Memorandum of Understanding with the Waswanipi Cree First Nation ("WCFN") whereby the parties have agreed to work together to support development of the Lac

Rocher deposit in a way that respects the collective interests of Victory Nickel, the WCFN and other stakeholders. Phase One of the project is expected to consist of an underground exploration and bulk sampling program to evaluate ore continuity and provide further metallurgical evaluation. Phase One would potentially entail the extraction of approximately 50,000 tonnes of material, while Phase Two would potentially extract an additional 400,000 tonnes of material. Mineralization from Lac Rocher would be direct shipped to an offsite mill for processing.

Subsequent to December 31, 2007, the Company received positive metallurgical results on material from the disseminated sulphide zone at Lac Rocher that complimented test results from Xstrata Process Support, Process Mineralogy, in Falconbridge, Ont., announced late in 2007 on mineralization from the massive sulphide zone. A total of 15 flotation tests were completed by Corem, an independent laboratory based in Quebec, on material from the disseminated sulphide zone, yielding nickel recovery of 79.9% and copper recovery of 94.2% to a nickel/copper concentrate. This compares well to nickel recovery of 85.04% and copper recovery of 96.67% from the massive sulphide zone.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates used in the preparation of the financial statement include determining the carrying value of exploration and development projects and future income taxes and the valuation of stock option compensation. These estimates involve considerable judgment and are, or could be affected by, significant factors that are out of the Company's control.

The Company's recorded value of its exploration and development projects is based on historical costs that are expected to be recovered in the future. The Company's recoverability evaluation is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is exposed to a number of risks and there is always the potential for a material adjustment to the value assigned to these assets.

The fair value of the stock options and warrants is calculated using an option pricing model that takes into account the exercise price, expected life of the option/warrant, expected volatility of the underlying shares, expected dividend yield, and the risk free interest rate for the term of the option/warrant.

For a complete list of the significant accounting policies, reference should be made to Note 2 of the Company's 2007 audited financial statements.

NEW ACCOUNTING POLICIES

On inception, the Company adopted new accounting standards that were issued by the Canadian Institute of Chartered Accountants: Handbook Section 1506 – "Accounting Changes," Section 1530 – "Comprehensive Income," Section 3855 – "Financial Instruments - Recognition and Measurement," Section 3861 – "Financial Investment Presentation and Disclosure," and Section - 3865 – "Hedges." The requirements of these new standards and the effect of their adoption are set out in detail in Note 2 to the Company's 2007 audited financial statements.

DISCLOSURE CONTROLS

The Company's certifying officers have designed a system of disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to them with respect to financial and operational conditions as of December 31, 2007. The certifying officers have evaluated the effectiveness of the disclosure controls and procedures as of December 31, 2007 and have concluded that these disclosure controls and procedures are effective at the reasonable assurance level. Such controls are facilitated by the small size of the Company's senior management team and their access to material information.

The management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

RELATED PARTY TRANSACTIONS

The Company obtains management, administrative assistance and facilities from Nuinsco pursuant to a management agreement. The fees payable by the Company are equal to the cost to Nuinsco of providing such services plus 10 percent. General and administrative costs charged to the Company during the eleven-month period ended December 31, 2007 totaled $809,000. In addition project-related costs aggregating $463,000 have been charged to the Company by Nuinsco during the period and are included in exploration and development costs on the balance sheet. The management agreement has an initial term of 24 months and is terminable thereafter by Nuinsco upon 90 days notice and by the Company upon 180 days notice.

OUTSTANDING SHARE DATA

At March 28, 2008, the Company had 176,857,256 common shares issued and outstanding. In addition, there were 13,235,000 stock options, 150,000 warrants and entitlements to 130,750 common shares under the Share Bonus Plan outstanding on March 28, 2008, which if exercised and issued would bring the fully diluted issued common shares to a total of 190,373,006, and would generate cash of approximately $4,307,000.

RECENT DEVELOPMENTS

- In March, 2008, the Company privately purchased from a third party 7,500,000 units of Wallbridge Mining Company Limited ("Wallbridge"), a public company, for $1,913,000. Each unit comprises one common share and one-half of one share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share of Wallbridge at an exercise price of $0.80 per share if the warrant is exercised prior to March 26, 2009, or $1.00 per share if exercised during the period between March 26, 2009 and March 26, 2010. As a consequence of this transaction, the Company holds an approximate 8.4% interest in Wallbridge and, if all of the warrants are exercised, the Company's ownership interest would increase to 12.2% on a partially diluted basis (not including the exercise of any other securities convertible into Wallbridge shares held by any other holder); and,

- In March, 2008, the Company announced the appointment of Steve Harapiak as President and Chief Operating Officer. Mr. Harapiak is an engineer who brings years of international mining experience to the Company, including serving as President and CEO of Potash Corporation of Saskatchewan (when it was a Crown corporation).

RISKS AND UNCERTAINTIES

The Company is in the development stage and is subject to the risks and challenges similar to other companies in a comparable stage of development. The Company is always at risk of losing its experienced mineral industry management, Directors and consultants as it is very reliant on key personnel.

The Company has no significant exposure to environmental or health risks, although this will change as the Company's projects approach production (a normal characteristic of mineral industry projects).

The Company experiences the normal safety risks associated with exploration fieldwork, and diamond drilling. The Company carries insurance for such risk but is protected primarily by the insurance carried by the contractors who carry out such work. Safe practices are mandated by the Company for all its work.

The cyclical nature of metal markets creates large variation in the Company's ability to raise the capital required for its exploration and development initiatives. This risk is managed by designing the Company's exploration and development commitments and progress to its financial capability.

Certain Directors of the Company also serve on the Board of Directors of other natural resource exploration and development companies, thereby providing the possibility that a conflict of interest may arise. Any corporate decisions made by such Directors are made in accordance with their duty and obligation to deal fairly and in good faith with the Company and such other companies. Directors are required to declare and refrain from voting on matters on which they have a conflict of interest.

FORWARD LOOKING STATEMENTS

These unaudited interim financial statements and Management's Discussion and Analysis contain certain forward-looking statements relating to, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe," "expect," "goal," "plan," "intend," "estimate," "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results.

Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

March 28, 2008